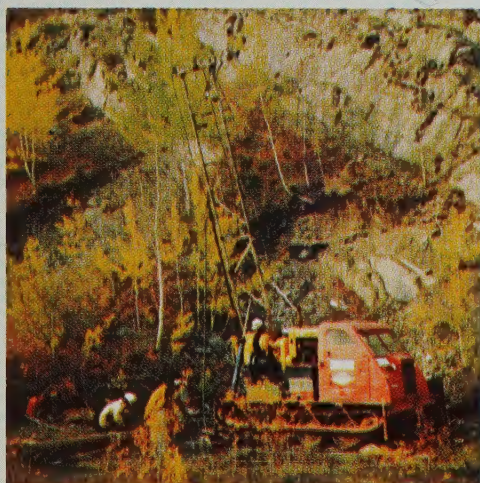


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rio alto exploration ltd.

ANNUAL REPORT 1973



R.W. TERMUENDE
PRESIDENT

RIO ALTO EXPLORATION LTD.
736 - 8TH AVE, S.W., CALGARY 2, ALBERTA 403 261-6661

1	2	3
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- 1 & 9 DIAMOND DRILLING ON
COPPER PROSPECTS IN
BRITISH COLUMBIA.
- 2, 6 & 7 OIL PRODUCTION IN
SASKATCHEWAN.
- 3 & 4 CAISSON DRILLING ON
CLEARWATER COAL
PROPERTY.
- 5 GROUND FOLLOW-UP,
URANIUM PROSPECTS,
WESTERN AUSTRALIA.
- 8 BUSH CAMP, WOLLAS-
TON LAKE AREA, SAS-
KATCHEWAN.

RIO ALTO EXPLORATION LTD.

1973 HIGHLIGHTS

- Exploration and acquisition expenditures at a record \$193,850, up 378% from 1972.
- Assets totalled \$397,500, an increase of \$158,500.
- Working capital increased 147% to \$83,400.
- Rio Alto Petroleums Ltd., wholly owned subsidiary, acquired oil and gas production in Saskatchewan and participated in drilling two oil wells, both of which are now on production.
- Oil and gas revenues from July to December 1973 totalled \$31,500.
- Exploration continued actively on Alberta coal properties in which Rio Alto holds royalty interests.
- Preproduction royalties from coal interests amounted to \$18,000.
- The Company maintained exploration activities on copper prospects in Canada.
- Uranium exploration programs initiated in Canada.
- In Australia, exploration conducted on uranium prospects in which Rio Alto holds interests.

FINANCIAL

Exploration and acquisition expenditures for the year 1973 totalled \$193,850 compared to \$51,725 in 1972. Net income from operations for the year amounted to \$32,950 of which \$18,000 was received in preproduction coal royalties, and \$11,900 from oil and gas net profits. In addition, \$210,000 was generated from the sale of capital stock. Working capital at the end of the year was \$83,447, an increase of \$51,146 over 1972.

Accounting policies were changed in 1973 to reflect the combined operations of the Company and Rio Alto Petroleums Ltd., its wholly owned subsidiary. Capital costs of certain mining properties acquired since the Company was formed and deferred exploration on mining properties disposed were written off this year. These totalled \$56,947.

The Company's assets totalled \$397,522 in 1973 compared to \$238,939 the previous year. The authorized capital stock is 3,000,000 common shares. At year end, 1,548,750 shares were outstanding and an additional 200,000 shares were subscribed for, but not issued. 1,328,750 shares were outstanding at the end of 1972.

Rio Alto Exploration was listed for trading on the Calgary Stock Exchange on August 27, 1973.

PETROLEUM AND NATURAL GAS

Rio Alto Petroleums Ltd. was established in mid 1973 to acquire producing petroleum and natural gas properties, and to conduct related exploration programs. By July, this wholly owned subsidiary had acquired varying interests in 15,680 acres of petroleum and natural gas rights in the Kindersley area of Saskatchewan. These lands include five gas wells and twenty-six oil wells, thirteen of which are owned and operated 100% by Rio Alto Petroleums Ltd.

In the Lloydminster area of Saskatchewan, Rio Alto has a 15% interest in an oil exploration program. During the year, two previously capped oil wells were reworked and put on production. In addition, two new wells were drilled, and are now producing. Late in 1973, the Company began re-

ceiving revenue from the Lloydminster properties. Sufficient lands have been acquired to support a multi-well drilling program, and further drilling is planned for the summer of 1974.

Gross revenue from all petroleum and natural gas operations totalled \$31,500 for the period July to December 1973.

COAL

The Company holds royalty interests in approximately 50,000 acres of coal rights in the outer foothills of Central Alberta. These lands contain large reserves of what appear to be good quality coking coal. 1973 was a record year for exploration and development activities with respect to this commodity.

On the Ram River and Nordegg leases, Consolidation Coal Ltd. has continued its exploration programs with encouraging results. By way of background, in May 1970 the Company's predecessor in title entered into an agreement with Consolidation Coal whereby Rio Alto received \$18,000 per year in advance royalties on future coal production from these properties. The agreement provides for a 12 cent per ton royalty when the property goes into production. A one million ton per year operation on the Ram River-Nordegg lands (which is the projected type of operation) would generate \$120,000 net per year in royalty payments to Rio Alto.

On the Clearwater block, Clearwater Coal Ltd. continued its exploration and sampling program. During the winter of 1973/74, a bulk sample drilling program was carried out, and initial tests indicate good quality coking coal. An agreement between the Company and Clearwater Coal Ltd. provides that when the property goes into production, Rio Alto will receive as its share of the reserved royalty, 2 cents per ton until Clearwater Coal Ltd. recovers exploration and mining costs, and 5 cents per ton thereafter. It has been announced that a rail extension will be built to link the CNR line to Aquitaine's gas plant in the area. This extension will pass within seven miles of the Clearwater leases and make the properties much more feasible for production and shipment of coal.

BASE METAL PROSPECTS

The Company holds two Canadian Pacific mineral leases at Sooke, B.C. In May of 1973, a 600 foot diamond drill hole tested one of the geophysical anomalies on the property. Copper mineralization was encountered throughout the section, but not in sufficient widths and grades to be economic at that time. Following drilling of this hole, a new copper showing was discovered at the north end of the property. This showing is 20 feet in width, and extends laterally at least 800 feet at the surface. Assays taken from samples across the width grade 0.67% copper. Grab samples along the exposed length average 0.96% copper. Additional geophysical surveys were carried out over the showing, and diamond drilling of at least two holes will be completed in May of 1974.

The mineral rights on the Sooke property are owned by Canadian Pacific, and as such, are not liable to the new mining regulations recently proposed by the British Columbia Government for Crown owned lands. Rio Alto is, however, liable for any increased government taxes that may be imposed on lands leased from Canadian Pacific and at year end, a 25 per cent per acre tax was levied. As a result, those areas of the prospect with low economic potential will be surrendered in 1974.

Rio Alto has also retained 20 claims adjoining Placid Oil's open pit copper mine at Bull River in British Columbia. One 600 foot hole was drilled in the fall of 1973, but no economic mineralization was discovered. The Company has varying interests in other base metal claims in British Columbia. No further work is planned on any of these claims at this time.

In addition to its B.C. properties, Rio Alto holds a minority interest in 768 claims in the district of Keewatin, Northwest Territories. The majority interest is held by Perry River Nickel Mines Ltd.

Base metal exploration expenditures for 1973 totalled \$29,700.

AUSTRALIA

During the past year the Company purchased a 7½% interest in Southern Ventures Pty Ltd. This Australian company, operated by Derry, Mitchener and Booth, well known Canadian exploration consultants, is engaged in a number of projects in that country. It has acquired uranium prospects in Western Australia and in the Lake Frome area; lead, zinc, silver prospects in the Canning Basin, and a small number of mineral claims in the Kalgoorlie nickel belt. The uranium lands in Western Australia have been optioned to a major company which has conducted airborne radiometric surveys and is now engaged in ground follow up programs. A discovery in any of Southern Ventures' many projects in Australia could be a substantial asset to Rio Alto.

OUTLOOK

In the 1972 Annual Report, the Directors noted that a program to diversify and expand the Company's activities had been initiated. This program is well underway. It was also noted that uranium is becoming an increasingly important source of energy, and that Rio Alto would be involved in exploration for this mineral.

To date, Rio Alto has (subject to the approval of regulatory authorities in certain cases) acquired uranium prospects in three areas of Canada (in addition to its uranium interests in Australia), namely:

1) The Company has agreed to purchase North American Nuclear Ltd., an Ontario private company which holds 265 uranium claims in the Elliot Lake area of Ontario. Some of these claims were drilled in the 1950's, and significant tonnages of low grade uranium were indicated. Additional exploration, including drilling, is planned for these claims during the coming season.

2) Rio Alto has acquired 4,800 acres of claim blocks covering a uranium prospect in the Wollaston Lake area of Saskatchewan. This prospect contains two major radioactive anomalies previously discovered by an airborne radiometric survey. This prospect has similar characteristics to the nearby Gulf Minerals' orebody which is soon to go into production.

3) In 1973, a Canadian government airborne survey located a large radiometric anomaly associated with oil shales in the Carrot River area of Saskatchewan. The ground on which the anomaly is located was staked by Rio Tinto Mines Ltd., and other major companies now hold large areas of land covering the known prospective formation. Rio Alto was involved early in the examination of this prospect, and has acquired mineral rights covering over 30,000 net acres of the shale formation having potential for occurrence of uranium. Exploration will be carried out in 1974.

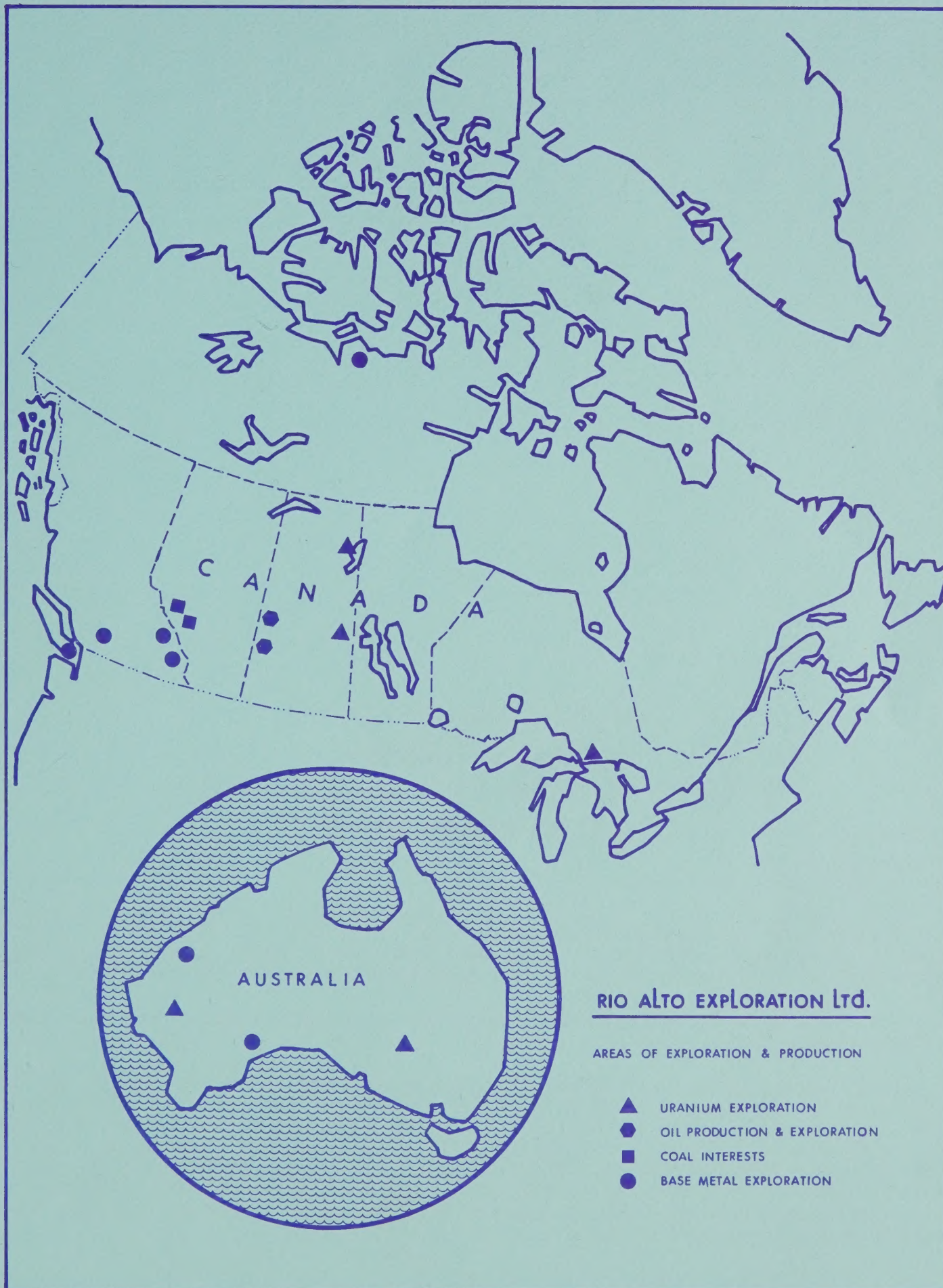
Rio Alto's performance to date has been one of steady growth. The Company is now in the position where its income can sustain administrative expenditures and allow new funding to be used directly for exploration and development projects.

Canada has a great potential for further discoveries of uranium, petroleum, coal, and base metals. Rio Alto's record indicates that it can and will continue to contribute to these discoveries which are necessary to meet the world's increasing energy and mineral requirements.



Respectfully Submitted
On Behalf of the Board

R. W. TERMUENDE
President



AUDITORS' REPORT

To the Shareholders
Rio Alto Exploration Ltd.

We have examined the consolidated balance sheet of Rio Alto Exploration Ltd. and subsidiary company as at December 31, 1973 and the consolidated statements of deficit, changes in property interests and deferred expenditures, and source and application of funds for the year then ended.

Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, subject to the adjustment as would result from failure to recover in the future the amounts at which property interests and deferred expenditures are carried on the consolidated balance sheet (see note 2), these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations, the changes in their property interests and deferred expenditures and the source and application of their funds for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change, with which we concur, in the policy of deferring all income and expenses as outlined in note 2.

Calgary, Alberta
April 8, 1974

COLLINS LOVE EDDIS VALIQUETTE & BARROW
Chartered Accountants

**RIO ALTO EXPLORATION LTD. AND
SUBSIDIARY COMPANY**

CONSOLIDATED STATEMENT OF DEFICIT

Year Ended December 31, 1973

	1973	1972
RETAINED EARNINGS (Deficit) beginning of year	\$ (8,329)	\$ 4,143
Add: Preproduction royalties	—	18,000
Sundry	<u>—</u>	<u>1,228</u>
	<u>(8,329)</u>	<u>23,371</u>
Deduct: Capital costs of mining properties disposed	32,420	7,540
Deferred exploration applicable to mining properties disposed	24,078	2,919
General and administrative costs	—	15,318
Other costs	<u>449</u>	<u>5,923</u>
	<u>56,947</u>	<u>31,700</u>
Deficit, end of year	<u><u>\$(65,276)</u></u>	<u><u>\$ (8,329)</u></u>

**RIO ALTO EXPLORATION LTD. AND
SUBSIDIARY COMPANY**

CONSOLIDATED BALANCE SHEET

Year Ended December 31, 1973

A S S E T S

CURRENT ASSETS

	1973	1972
Cash	\$ 80,352	\$ 14,774
Term deposit certificates	—	30,000
Funds in trust (note 3)	25,000	—
Accounts receivable	13,393	4,365
Share subscriptions receivable	—	10,430
Refundable deposits	<u>10,000</u>	<u>12,500</u>
	128,745	72,069
Drilling and exploration deposits	6,550	—
Investments, at cost (no quoted market value)	35,000	—
Property interests and deferred expenditures (note 2)	<u>227,227</u>	<u>166,870</u>
APPROVED ON BEHALF OF THE BOARD,	<u>\$397,522</u>	<u>\$238,939</u>

R. W. Termuende, Director

D. W. Hilland, Director

LIABILITIES

	1973	1972
CURRENT LIABILITIES		
Bank indebtedness	\$ 8,153	\$ —
Accounts payable and accrued liabilities	37,145	39,768
	<u>45,298</u>	<u>39,768</u>
Funds received on share subscription (note 3)	<u>100,000</u>	<u>—</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (Note 4)		
Authorized		
3,000,000 shares of no par value		
Issued		
1,548,750 shares (1972 - 1,328,750)	317,500	207,500
Deficit	(65,276)	(8,329)
	<u>252,224</u>	<u>199,171</u>
	<u>\$397,522</u>	<u>\$238,939</u>

RIO ALTO EXPLORATION LTD. AND
SUBSIDIARY COMPANY

**CONSOLIDATED STATEMENT OF CHANGES IN
PROPERTY INTERESTS AND
DEFERRED EXPENDITURES**

Year Ended December 31, 1973

	Balance January 1, 1973	Additions	Charged to Deficit	Balance December 31, 1973
PROPERTY INTERESTS				
Mining properties and claims	\$ 75,993	\$ 13,634	\$ 32,420	\$ 57,207
Oil and gas properties, net	—	70,808	—	70,808
Production equipment, net	—	12,088	—	12,088
	<u>75,993</u>	<u>96,530</u>	<u>32,420</u>	<u>140,103</u>
DEFERRED EXPENDITURES				
Mining properties				
Exploration management and supervision, consulting and reporting	16,457	3,714	5,801	14,370
Geological and field expenses	68,678	11,568	15,067	65,179
Assaying	3,301	437	1,388	2,350
Government fees and rentals	1,968	300	1,560	708
Sundry	473	35	262	246
General and administrative	—	29,750	—	29,750
Depreciation of production equipment	—	1,146	—	1,146
Depletion of oil and gas properties	—	6,325	—	6,325
	<u>90,877</u>	<u>53,275</u>	<u>24,078</u>	<u>120,074</u>
Less: Income				
Net proceeds from oil and gas production	—	11,893	—	11,893
Preproduction royalties	—	18,000	—	18,000
Management fees	—	2,400	—	2,400
Other	—	657	—	657
	<u>—</u>	<u>32,950</u>	<u>—</u>	<u>32,950</u>
Total deferred expenditures	<u>90,877</u>	<u>20,325</u>	<u>24,078</u>	<u>87,124</u>
Total property interests and deferred expenditures	<u>\$166,870</u>	<u>\$116,855</u>	<u>\$ 56,498</u>	<u>\$227,227</u>

**RIO ALTO EXPLORATION LTD. AND
SUBSIDIARY COMPANY**

**CONSOLIDATED STATEMENT OF SOURCE AND
APPLICATION OF FUNDS**

Year Ended December 31, 1973

	1973	1972
SOURCE OF FUNDS		
Issuance of capital stock	\$110,000	\$ 11,500
Less: Issued on acquisition of property interests	(50,000)	(11,500)
Issued on acquisition of investments	(35,000)	
Issued for cash	25,000	—
Funds received on share subscriptions	100,000	
Total source of funds	<u>125,000</u>	<u>—</u>
APPLICATION OF FUNDS		
Additions to investments	35,000	—
Less: Acquired by issuance of capital stock	(\$35,000)	—
Additions to property interests	104,001	13,247
Less: Acquired by issuance of capital stock	(50,000)	(11,500)
	54,001	1,747
Additions to deferred expenditures	12,854	20,997
Additions to drilling and exploration deposits	6,550	—
Other	449	5,923
Total application of funds	<u>73,854</u>	<u>28,667</u>
Increase (decrease) in working capital	51,146	(28,667)
Working capital, beginning of year	32,301	60,968
Working capital, end of year	<u>\$ 83,447</u>	<u>\$ 32,301</u>

**RIO ALTO EXPLORATION LTD. AND
SUBSIDIARY COMPANY**

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

Year Ended December 31, 1973

1. Principle of consolidation

The consolidated financial statements include the accounts of Rio Alto Exploration Ltd. and its wholly owned subsidiary, Rio Alto Petroleum Ltd. Intercompany accounts and transactions have been eliminated on consolidation.

2. Accounting policies

(a) Mining operations

All acquisition and exploration costs of mining properties and claims are treated on a project basis wherein costs are not charged to deficit unless the whole project is abandoned.

(b) Oil and gas operations

The company's subsidiary follows the full cost method of accounting for its oil and gas operations. Under this method all costs, including a portion of general and administrative expenses, relating to the exploration for and development of oil and gas properties are capitalized and depleted on the unit of production method based on estimated reserves of oil and gas. Proceeds on disposal of properties are normally deducted from accumulated costs without recognition of any gain or loss.

(c) Change in accounting policy

Effective January 1, 1973 the companies adopted the policy of deferring all income and expenses. Prior to January 1, 1973 the company wrote off all income and expenses to deficit as incurred.

(d) Realization of the amounts represented by property interests and deferred expenditures is dependent upon future developments, since the properties represented by these assets are substantially unexplored or developed.

3. Funds received on share subscriptions

In December 1973 the company agreed to issue 200,000 shares of its capital stock for a cash consideration of \$100,000. At December 31, 1973 the cash had been received, however, the shares had not been issued pending government approval.

Accordingly, the transaction has not been reflected as a sale of shares in the capital stock account. Of the \$100,000 consideration received, \$25,000 is held in trust by the company's solicitors.

4. Capital stock

The following is a summary of the changes in capital stock during the year ended December 31, 1973:

	Number of shares	Amount
Balance, December 31, 1973	1,328,750	\$207,500
Issued for cash	50,000	25,000
Issued for properties	100,000	50,000
Issued for investments	70,000	35,000
Balance, December 31, 1973	<u>1,548,750</u>	<u>\$317,500</u>

In September 1973 the company issued 100,000 common shares in exchange for interests in oil and gas properties acquired by its subsidiary.

In October 1973 the company issued 50,000 common shares for a cash consideration of \$25,000. In addition, the company issued to the purchasers common share purchase warrants for 45,000 shares exercisable at \$1 per share up to August 23, 1975.

In October 1973 the company issued 70,000 common shares in exchange for a 7½% interest in an Australian mining company.

In December 1973 the company entered into an agreement with a director whereby it agreed to issue 50,000 common shares in exchange for a mining property. At December 31, 1973 the shares had not been issued pending governmental approval and accordingly, the agreement has not been reflected in the accounts.

5. Material agreements

(a) By agreement dated May 1, 1970, the company earned the right to a minimum of \$6,000 per year in advance royalties on future coal production from properties in the Ram River area of the Province of Alberta disposed of on that date. These advance royalties are to be considered part of a 12 cent per short ton overriding royalty payable to the company if and when production is commenced.

(b) By agreement dated May 23, 1970, the company earned the right to a minimum of \$12,000 per year in advance royalties on future coal production from properties in the Nordegg area of the Province of Alberta disposed of on that date. These advance royalties are to be considered part of a 12 cent per short ton overriding royalty payable to the company if and when production is commenced.

By agreement dated October 27, 1971, the company disposed of its share of properties in the Clearwater area of the Province of Alberta. The company retains an interest in this land after production is commenced in the form of a royalty of approximately 2 cents per ton, until Clearwater Coal Ltd. recovers their direct exploration and mining costs incurred together with the cost of any plant constructed to process coal, and thereafter approximately 5 cents per ton.

OFFICERS

R. W. Termuende	—	President
D. W. Hilland	—	Secretary

DIRECTORS

J. Poscente	—	Calgary
R. W. Termuende	—	Calgary
D. W. Hilland	—	Calgary
R. J. Kirker	—	Calgary
H. B. Tiffin	—	Calgary
C. W. Byler	—	Calgary
E. G. Mackenzie	—	Calgary

BANKS

Canadian Imperial Bank of Commerce
Royal Bank of Canada

AUDITORS

Collins, Love, Eddis, Valiquette & Barrow

LAWYERS

McLaws & Company

TRANSFER AGENT AND REGISTRAR

The Canada Trust Company
Calgary, Alberta

HEAD OFFICE

736 - 8th Avenue S.W.
Calgary, Alberta

RIO ALTO

EXPLORATION LTD.

INTERIM REPORT

Six Months Ending
June 30th, 1973

TO THE SHAREHOLDERS

FINANCIAL

Exploration and acquisition costs for the first six months totalled \$82,073. Income during the period amounted to \$62,614 of which \$12,000 was received in preproduction coal royalties, and \$50,000 from the sale of capital stock. Working capital at June 30, 1973 was \$12,082.

PETROLEUM AND NATURAL GAS

Rio Alto Petroleum Ltd., a wholly owned subsidiary of Rio Alto Exploration, became active in June 1973. The company now has varying interests in 15,680 acres of Petroleum and Natural Gas rights in the Kindersley area of Saskatchewan on which are located 26 oilwells and 5 gas wells. Thirteen of these wells are 100% owned and operated by Rio Alto Petroleum. Net revenue from these wells is estimated at \$25,000 per year. The company began to receive revenue from oil and natural gas production in July of this year. Since these wells were acquired, crude oil prices have increased by 40 cents per barrel.

In the Lloydminster area of Saskatchewan, the company has a 15% interest in 1,160 acres of P & NG rights on which are located 2 producing wells. Two additional wells are being drilled this fall and 4 to 6 wells are projected for 1974, depending on the results and production obtained from the wells drilled this year.

Rio Alto Petroleum is also participating in the drilling of an oil well in North Dakota.

COAL

Exploration has continued on the Outer Foothills coal prospects. In the Nordegg area, Consolidation Coal have recently completed their evaluation program and are now involved in transportation studies related to marketing. On the north side of Rio Alto's Ram River block, Consolidation drilled a number of deep holes early in the year with encouraging results.

On the Clearwater block, 13 more holes were drilled to pick an adit site. The adit has progressed to 170 feet, and bulk sampling is about to begin. It has been announced that a rail extension will be built to link the C.N.R. line to Aquitaine's gas plant in the area. This extension will pass within 7 miles of our coal properties.

Rio Alto holds royalty interest in approximately 19,760 acres of coal rights in the Nordegg and Ram River area and receives \$18,000 per year as a preproduction royalty with respect to these royalties.

BASE METAL PROSPE

In May of this year the company drilled a 600 foot diamond drill hole to test one of the geophysical anomalies on its copper prospect at Sooke, B.C. The results were encouraging in that copper mineralization was encountered in various widths throughout the section. Average grades over 10 foot intervals include a number of sections of 0.3% copper, one of 0.48% copper and smaller widths grading up to 0.67% copper. A new showing was discovered on the property this spring. Samples collected over the 800 foot length that is exposed averaged 0.96% copper. Additional drill targets have been located and it is expected that more diamond drilling will be done in the coming months.

At Bull River, near Cranbrook, B.C., Placid Oil have resumed production on their open pit copper ore body. Rio Alto has retained 20 claims adjoining Placid's mine, and a drill hole is planned for this fall to determine if the mineralization extends into Rio Alto's claims.

AUSTRALIA

The company has purchased a 7½% interest in Southern Ventures Pty. Ltd. of Australia. This company, operated by Derry, Mitchener and Booth, well known Canadian exploration consultants, is engaged in a number of projects in that country. It has acquired uranium prospects in Western Australia and in the Lake Frome area; lead-zinc-silver prospects in the Canning Basin and a small number of mineral claims in the Kalgoorlie nickel belt. The uranium lands in Western Australia have been optioned to a major company which has conducted airborne radiometric surveys and is now engaged in ground follow-up programs. A discovery in any of Southern Ventures' many projects in Australia would be a major asset to Rio Alto.

OUTLOOK

The company is now negotiating for the acquisition of about 4800 acres of claim blocks covering a uranium prospect in the Wollaston Lake area of Saskatchewan. This prospect contains two major radioactive anomalies previously discovered by an airborne radiometric survey. It has similar characteristics to the nearby Gulf Minerals' orebody which is soon to go into production. Uranium is becoming an increasingly important source of energy and Rio Alto will be devoting an appropriate amount of its resources to exploration for this mineral.

Additional funds for increased participation in the energy field are being raised by the private placement of capital stock, and plans are underway for a public underwriting this fall.

Rio Alto Exploration was listed for trading on the Calgary Stock Exchange on August 27, 1973.

September 7, 1973

R.W. Termuende,
President

RIO ALTO EXPLORATION LTD. CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS SIX MONTHS ENDED JUNE 30th, 1973

(prepared without audit)

	Consolidated 1973	Unconsolidated 1972
SOURCE OF FUNDS:		
Issue of Shares	\$ 50,000	\$ - 0 -
Preproduction Royalties	12,000	12,000
Sundry	614	1,228
	<u>\$ 62,614</u>	<u>\$ 13,228</u>
APPLICATION OF FUNDS:		
Purchase of mining properties and claims	\$ - 0 -	\$ 1,420
Purchase of producing oil and gas interests	50,000	- 0 -
Deferred exploration costs	16,538	5,949
Administrative expenditures	15,535	6,526
Cost of unexercised option	- 0 -	5,923
Purchase of office equipment	311	- 0 -
Incorporation costs	449	- 0 -
	<u>\$ 82,833</u>	<u>\$ 19,818</u>
Decrease in Working Capital	\$ 20,219	\$ 6,590
Working Capital, January 1st	32,301	60,968
WORKING CAPITAL, June 30th	<u>\$ 12,082</u>	<u>\$ 54,378</u>

RIO ALTO EXPLORATION LTD.
CONSOLIDATED BALANCE SHEET
AS AT JUNE 30th, 1973
(prepared without audit)

ASSETS	Consoli- dated 1973	Unconsoli- dated 1972
CURRENT:		
Cash	\$ 6,382	\$ 16,778
Term Deposit Certificates	10,000	16,000
Accounts Receivable	3,659	8,672
Share Subscription Receivable (Note 2)	50,000	17,430
Refundable Deposits	10,000	12,500
	<u>\$ 80,041</u>	<u>\$ 71,380</u>
PROPERTY AND EQUIPMENT:		
Mining Properties and Claims	\$ 75,992	\$ 71,706
Oil and Gas Properties (Note 3)	49,900	— 0 —
Deferred Exploration Expenditures	107,415	74,205
Production and Other Equipment	411	— 0 —
	<u>\$233,718</u>	<u>\$145,911</u>
OTHER:		
Incorporation Costs	\$ 449	— 0 —
TOTAL ASSETS	<u>\$314,208</u>	<u>\$217,291</u>
LIABILITIES	Consoli- dated 1973	Unconsoli- dated 1972
CURRENT:		
Accounts Payable	<u>\$ 67,958</u>	<u>\$ 17,002</u>
SHAREHOLDER'S EQUITY		
CAPITAL STOCK:		
Authorized:		
3,000,000 shares of no par value		
Issued:		
1,428,750 shares (1972 - 1,300,000 shares)	\$257,500	\$196,000
RETAINED EARNINGS:		
Deficit	(11,250)	4,289
	<u>\$246,250</u>	<u>\$200,289</u>
TOTAL ASSETS AND SHAREHOLDERS EQUITY	<u>\$314,208</u>	<u>\$217,291</u>

Approved on behalf of the Board,

R. W. TERMUENDE , Director

D. W. HILLAND , Director

The accompanying notes are an
integral part of these financial statements

RIO ALTO EXPLORATION LTD.
CONSOLIDATED STATEMENT OF DEFICIT
(RETAINED EARNINGS, 1972)
JUNE 30th, 1973

(prepared without audit)

	Consoli- dated 1973	Unconsoli- dated 1972
Balance, January 1st	\$ 8,329	\$ (4,143)
Preproduction Royalties	12,000	12,000
Sundry	614	1,228
	<u>\$ 12,614</u>	<u>\$ 13,228</u>
Less:		
Administrative Costs	\$ 15,535	\$ 6,526
Adjustment of deferred expenditures	— 0 —	633
Cost of unexercised option (Note 4)	— 0 —	5,923
	<u>\$ 15,535</u>	<u>\$ 13,082</u>
Excess of Expenditures over revenue	2,921	(146)
Balance, June 30th	<u>\$ 11,250</u>	<u>\$ (4,289)</u>

RIO ALTO EXPLORATION LTD.
NOTES TO FINANCIAL STATEMENTS
JUNE 30th, 1973

NOTE 1:

Rio Alto Exploration Ltd. has one wholly owned subsidiary, Rio Alto Petroleums Ltd., incorporated December, 1972. This subsidiary became active in June, 1973.

NOTE 2:

Effective June 1st, 1973, the Company has agreed to sell 100,000 shares to a private company for a consideration of \$50,000.00

NOTE 3:

The Company's subsidiary has entered into an agreement with a private company to purchase oil and gas interests in Saskatchewan for \$50,000.00, effective June 1st, 1973.

NOTE 4:

By agreement dated December 17th, 1971, the Company agreed to acquire the shares of a private company for \$50,000.00 Cash and 200,000 shares of the Company valued at \$0.50 per share. The proposed acquisition was not completed resulting in costs of \$5,923.00 written off in 1972.

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RIO ALTO EXPLORATION LTD.

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